SUPREME COURT OF THE UNITED STATES.

Nos. 255, 273, 274, 286 and 287.—October Term, 1926.

Palmetto Fire Insurance Company, Appellant, 255 *vs.* Harry L. Conn, Superintendent of Insurance of the State of Ohio.	Appeal from the District Court of the United States for the Southern District of Ohio.
Chrysler Sales Corporation, Appellant, 273 *vs.* Wilbur D. Spencer, Insurance Commissioner of the State of Maine.	Appeals from the District Court of the United States for the District of Maine.
Utterback-Gleason Company, Appellant, 274 *vs.* Wilbur D. Spencer, Insurance Comsioner of the State of Maine.	
Clark Motor Company, Appellant, 286 *vs.* Olaf Johnson, Commissioner of Insurance of the State of Wisconsin.	Appeals from the District Court of the United States for the Western District of Wisconsin.
Chrysler Sales Corporation, Appellant, 287 *vs.* Olaf Johnson, Commissioner of Insurance of the State of Wisconsin.	

[October 25, 1926.]

Mr. Justice Holmes delivered the opinion of the Court.

These cases all raise the same question. The first, *Palmetto Fire Insurance Company* v. *Conn,* is a suit to enjoin the Ohio Superintendent of Insurance from revoking the license of the plaintiff, a corporation of South Carolina, to do business in Ohio, on the ground that it has violated statutes of the latter State. These

statutes forbid the insurance of property in the State except by a legally authorized agent, resident in Ohio, and tax the business lawfully done there. They provide also that any one who procures an application for insurance shall be held to be the agent of the party thereafter issuing the policy. The plaintiff says that if the statutes are held to apply to what it has done they are invalid under the Fourteenth Amendment of the Constitution of the United States. The case was tried before a statutory court of three judges and an injunction was refused. 9 Fed. (2d) 202.

The facts are simple. The plaintiff made a contract of insurance in Michigan with the Chrysler Sales Corporation, a Michigan corporation which sells all the automobiles made by the Chrysler Corporation. This contract purported to insure purchasers of Chrysler cars against fire and theft, and to become automatically effective from the date on which the purchaser took delivery or a bill of sale of the car; the Chrysler Company to send a monthly report to the plaintiff of all cars for which insurance was thus provided and to pay premiums accordingly at Detroit. If anyone bought a car he got the insurance whether he wished it or not as part of his bargain, and a certificate was sent to him by the plaintiff. The question is whether this transaction brought the plaintiff within the taxing power of Ohio. If it did not, the power of the State to exclude the Company altogether could not be used as a means to accomplish a result beyond the State's constitutional power. *Fidelity & Deposit Co. of Maryland* v. *Tafoya,* March 15, 1926.

Manifestly there was nothing in the contract between the plaintiff and the Chrysler Sales Corporation, without more, that Ohio could lay hold of, even if it insured property in Ohio. But the contract contemplated and provided for a benefit to third persons if, when, and where they complied with its conditions. When a man bought a car in Ohio, by that act he made effective the agreement of the Company to insure future purchasers, and imposed upon it an obligation that did not exist before. It is true that the obligation arose from a contract made under the law of another State, but the act was done in Ohio and the capacity to do it came from the law of Ohio, so that the cooperation of that law was necessary to the obligation imposed. It would be held in some jurisdictions that the purchaser became party to a contract with the insurance company. By universal consent he at least would become the beneficiary of a contract for his benefit. Whatever technical form may

be given to the reasoning, the substance is that by acts done in Ohio the purchaser obtains for himself the advantage of insurance that before that moment did not exist. It does not matter whether his getting it was a large or an inconspicuous feature of his bargain. It was part of it in any event, and we cannot doubt that the lower Court was right in holding that in such circumstances the State could insist upon its right to tax. It would be extravagant to say that the State's general power to deny to the plaintiff the right to enter or remain within it for business unless it paid for these transactions as a part of the price, must be denied upon constitutional grounds.

The two suits in Wisconsin, *Clark Motor Company* v. *Smith, Commissioner of Insurance,* and *Chrysler Sales Corporation* v. *Smith,* were begun about the same time as the Ohio case. The Clark Motor Company described itself as a distributor, buying cars from the Chrysler Sales Company and selling them to retail dealers, known as dealers. Neither distributor nor dealer acts as agent for the Chrysler Sales Company, but each buys and sells on its own behalf. The position of the Chrysler Sales Company, the other plaintiff has been described. The Commissioner of Insurance treats the sales as contravening statutes of Wisconsin similar to those of Ohio. A Court of three judges refused an injunction against his enforcing the Acts. 9 Fed. (2d) 666. We are of opinion that the decision was correct. It is argued that the statutes were misconstrued by the Court. An appeal to this Court is allowed when an injunction is granted or refused on the ground of the alleged unconstitutionality of a State law. If we assume that other questions are open, still it is not desirable that the Courts of the United States should go beyond necessity to instruct the officials of a State as to the meaning of a State law. Unless the case is very clear their action should be left to the control of the State Courts. There are plausible reasons in this case for following the local interpretation and we think that the Court below was right in accepting the Commissioner's view. Other arguments thrown in as makeweights do not need to be discussed. The fact that the cost of the insurance was taken up into the price of a machine otherwise lawfully sold does not prevent the insurance being reached. See *Herbert* v. *The Shanley Co.,* 242 U. S. 591. The question raised by these bills is the general one, whether the State laws can be applied to this insurance. That we have answered. Exactly how far the laws can go and

what proceedings can or cannot be taken, may be left to be determined, if the questions arise, in the State Courts.

The cases from Maine, *Chrysler Sales Corporation* v. *Spencer, Insurance Commissioner* and *Utterback-Gleason Company* v. *Spencer,* are like the last, and follow the Wisconsin decision after a full discussion. 9 Fed. (2d) 674. These decisions also must stand.

Decrees affirmed.

A true copy.

Test:

Clerk, Supreme Court, U. S.